

UPDATE: This includes updated information on the Governor's preschool initiative and environmental and resources allocations. Please refer to the version below and attached.



2006 STATE BUDGET HIGHLIGHTS

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Today Governor Schwarzenegger will sign the 2006 Budget Act, which fulfills the two priorities he put forward in his May Revise: paying down debt and fully funding education. The 2006 state budget includes historic funds for new middle and high school counselors, preschool for children in the state's lowest performing school districts, and funding for arts, music, and physical education programs. It also includes investments in law enforcement, disaster preparation, public health, and environmental and transportation priorities. 2006 marks the first time in six years that the budget has been signed by the July 1 constitutional deadline.

At 11:30 the Governor's remarks will be Web cast live at www.gov.ca.gov.

AGGRESSIVELY REDUCING CALIFORNIA'S DEBT AND INCREASING OUR RESERVE TO A 25-YEAR HIGH

The budget sets aside \$4.9 billion to pay down debt and build the state's reserve.

- \$2.1 billion to the state's rainy day fund
- \$2.8 billion in debt pre-payment
 - This money will pay local governments, special funds and Economic Recovery Bonds.
 - \$1.42 billion → Proposition 42 pre-payment (The budget includes a separate \$1.4 billion to *fully fund* Proposition 42 for the second year in a row.)
 - \$472 million → Economic Recovery Bond pre-payments
 - \$546 million → other loan pre-payments, including:
 - ❖ Payments to local governments and special funds.
 - ❖ Payments of \$100 million towards the state's share of local flood control funding.
 - ❖ Payments of special fund loans, including the Housing Rehabilitation Loan Fund, the State Court Facilities Construction Fund, the Small Business Expansion Fund and others.
 - ❖ Payment of non-Proposition 98 mandates.
- \$32 million to make final payments on various general obligation bonds.
- The early debt payment and the \$2.1 billion set aside for the rainy day fund total nearly 4.7 percent of the overall budget—the highest such percentage in 25 years.
- Since the release of the Governor's May Revise, Fitch, Moody's, and Standard & Poor's have all raised the state's bond rating. Fitch noted that its rating upgrade "reflects the breadth of California's continuing economic recovery, strong revenue performance, and continued progress in reducing fiscal imbalances."

INVESTING IN STUDENTS AND SCHOOLS

The budget allocates \$55.1 billion for education priorities.

- This reflects an increase of \$8.1 billion, a more than 17 percent overall funding increase from 2004-05. The Budget fully funds Proposition 98.
- Highlights include:

Pre-K

- \$100 million, pursuant to future legislation, for Governor's targeted preschool initiative, which will make expanded preschool opportunities available to children and their families. \$50 million of this funding will be used to build and improve preschool facilities.

K-12

- Total per-pupil funding of \$11,264, an increase of \$516 from the current year level.
- \$32.9 million increase to fund charter schools; \$20 million for career technical education; \$645 million to fund physical education, arts and music programs (includes \$500 million in one-time funding for supplies and equipment).
- \$200 million to add 7-12th grade school counselors to schools with high counselor-to-student ratios.
- \$428 million in additional funds to make after school programs available to elementary and middle school students through Proposition 49 funding.
- \$5.1 million to add two administrations of the California High School Exit Exam, and \$75.1 million for supplemental instruction to help students pass.

Higher Education

- Allocates \$19.1 billion from all fund sources to higher education.
- Eliminates tuition and fee increases at UC and CSU for the upcoming school year, and provides funding for 2.5 percent enrollment growth.
- Increases CSU funding by 5 percent and UC funding by 5.7 percent above 2005-06 levels.
- Increases funding to California Community Colleges by over \$700 million, and reduces student fees from \$26 to \$20 per unit, effective in the Spring 2007 semester.

SUPPORTING PUBLIC SAFETY

The budget includes an additional \$196 million to support law enforcement efforts.

- Highlights include:
 - \$35 million to reimburse fees paid by local law enforcement to book offenders into county jails in 2005-06. Counties will be eligible for these funds in 2006-07.
 - \$20 million to strengthen efforts to fight methamphetamine trafficking, and \$6 million to create three new California Methamphetamine Strategy program teams.
 - \$16.2 million to fund vertical prosecution, which will allow prosecutors, victims' advocates and investigators to follow specific heinous cases through the entire court process.
 - \$6.5 million to add four new Gang Suppression Enforcement Teams.
 - \$6 million to fund Sexual Assault Felony Enforcement teams.
 - \$5.1 million for 500 GPS devices to track and monitor the highest-risk parolees.
 - Up to \$4.2 million to fund legal representation for witnesses testifying at parole hearings.

- The budget also proposes the addition of 235 California Highway Patrol (CHP) positions, includes \$56.4 million to replace the CHP's existing radio system and allocates \$6.4 million for 9-1-1 centers.

PREPARING FOR DISASTER

The budget significantly enhances California's emergency preparedness.

- Highlights include:
 - \$39.6 million to enhance California's ability to prepare mitigate and respond to emergencies.
 - \$195 million to build surge capacity—hospitals' capacity for a dramatic increase in patients during an emergency. The budget allocates an additional \$18.3 million to purchase and manage three mobile field hospitals for use in the event of a disaster.
 - \$17.4 million for local health departments to prevent pandemic influenza outbreak.
 - \$5.2 million for rapid detection and response efforts in the event of disease outbreak or infestation.
 - \$3.4 million to expand state efforts and help local agencies develop disaster preparedness plans.
- The budget also includes \$35 million to improve and maintain flood control systems, and \$41.3 million for flood control capital projects.

PROTECTING CALIFORNIANS' HEALTH

The budget reflects the Governor's commitment to protecting public health and providing resources to vulnerable Californians.

- Highlights include:
 - \$1 billion to fund the Healthy Families Program (HFP), and \$2.2 million to encourage the enrollment of more eligible but un-enrolled children in Medi-Cal and HFP. These funds are expected to increase to bring an additional 78,200 children into the program this year.
 - \$299.4 million to fully fund the AIDS Drug Assistance Program in 2006-07, providing life-saving medications to low-income individuals living with AIDS/HIV.
 - \$37.8 million to provide HIV prevention and education in local health jurisdictions.
 - \$10 million for methamphetamine prevention campaign to reach high-risk communities.
 - \$8.5 million to add Cystic Fibrosis and Biotinidase to the Newborn Screening Program, which screens newborns for 73 genetic disorders.
 - \$4.5 million to fight West Nile Virus in high-risk areas of the state and support mosquito control efforts statewide.

FUNDING ENVIRONMENTAL PROTECTION AND RESOURCES

The budget invests in environmental initiatives to preserve California's land, air and water and enforce our environmental laws while developing sustainable, reliable energy sources.

- Highlights include:
 - \$250 million to address the backlog of deferred maintenance project at state parks. Additionally, the budget includes \$16.4 million ongoing to maintenance at state parks so this backlog does not occur again.

- \$30.4 million to fund an inter-agency effort to meet Governor Schwarzenegger's greenhouse gas emissions goals including \$25 million to enhance clean alternative fuels.
- \$25 million to replace high-emission school busses.
- \$19 million to protect and enhance our ocean resources and marine life.
- \$14 million for salmon and steelhead restoration to help address long term sustainability of our fisheries including the Klamath basin.
- \$10 million for non-game fish and wildlife management. Additionally, the budget includes \$1.1 million to monitor wildfowl for avian influenza.
- \$7.2 million to increase environmental protections and enforcement, including \$4 million for air pollution regulations implementation and enforcement; \$1.8 million to investigate fraud and enhance enforcement efforts in electronic waste programs, \$1 million to the department of Justice to defend greenhouse gas emissions regulations adopted by the California Air Resources Board, \$425,000 for Pesticide regulations risk assessments.
- \$6.5 million for the Governor's Hydrogen Highway Initiative.
- \$5 million for coastal wetlands protection and \$1.5 million for conservation planning and resources assessment to provide for the long term protection of habitat and endangered species.

IMPROVING STATE TRANSPORTATION

The budget allocates \$1.4 billion to fully fund Proposition 42 for the second year in a row.

- This funding is broken out as follows:
 - \$1 billion → State Transportation Improvement Program
 - \$978 million → Traffic Congestion Relief Program
 - \$446 million → local streets and roads maintenance
 - \$369 million → transit projects
- The budget also includes \$40.3 million to provide quick congestion relief along selected areas of California's highways.